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Attorneys for Defendant

Todd M. Lane

UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA

**National Credit Union**  
**Administration Board, as Liquidating**  
*Agent for Western Corporate Federal*  
*Credit Union,*

Plaintiff,

vs.

**Robert A. Siravo, et al.,**

Defendants.

) Case No.: CV10-01597 GW (MANx)

) **Defendant Todd M. Lane's**  
) **Request for Judicial Notice in**  
) **Support of Motion to Dismiss**  
) **Second Amended Complaint**

) Date: June 9, 2011

) Time: 8:30 a.m.

) Courtroom: Los Angeles, 10

) Honorable George H. Wu

Defendant Todd M. Lane respectfully requests this Court to take judicial notice of the following document attached to this Notice, which is page numbered 1–35. This request is made under Federal Rule of Evidence 201.

The Director Defendants have also filed a Request for Judicial Notice, which Lane adopts and joins. The documents in Lane's Request are brief excerpts from Exhibits 1 and 4–9 of the Directors' Request and are, therefore,

authenticated by the Declaration of Robert Burrell supporting the Directors' Request. Specifically:

Exhibit	Description and Where Cited in the Second A. Complaint	Corresponding Pages in Each Request
1	April 2006 ALCO package (¶ 97)	Directors 8–12 Lane 1–5
4	September 2006 ALCO package (¶ 138)	Directors 140–144 Lane 6–10
5	October 2006 ALCO package (¶ 139)	Directors 242–246 Lane 11–15
6	December 2006 ALCO package (¶ 139)	Directors 355–359 Lane 15–20
7	January 2007 ALCO package (¶ 141)	Directors 454–458 Lane 21–25
8	February 2007 ALCO package (¶ 142)	Directors 553–557 Lane 25–30
9	March 2007 ALCO package (¶ 142)	Directors 656–660 Lane 31–35

### Basis for Judicial Notice

Under the incorporation-by-reference doctrine, the Court may consider documents on a motion to dismiss “whose contents are alleged in a complaint and whose authenticity no party questions, but which are not physically attached to plaintiff’s pleading.” *In re Silicon Graphics, Inc. Sec. Litig.*, 183 F.3d 970, 986 (9th Cir. 1999) (quoting *Branch v. Tunnel*, 14 F.3d 449, 454 (9th Cir. 1994)). The Court may take judicial notice of documents whose contents are alleged in a complaint, quoted in a complaint, relied on by a complaint or integral to a complaint, or on which the complaint necessarily relies. *Swartz v. KPMG LLP*, 476 F. 3d 756, 763 (9th Cir. 2007) (“in order to ‘[p]revent[] plaintiffs from surviving a Rule 12(b)(6) motion by deliberately omitting . . . documents upon which their claims are based,’ a court may consider a writing referenced in a complaint but not explicitly incorporated therein if the complaint relies on the

document and its authenticity is unquestioned,” citing *Parrino v. FHP, Inc.*, 146 F. 3d 699, 706 (9th Cir. 1998)); *Dreiling v. Am. Exp. Co.*, 458 F. 3d 942, 946 n.2 (9th Cir. 2006) (holding that courts, on a motion to dismiss, “may consider documents referred to in the complaint or any matter subject to judicial notice, such as SEC filings.”); *Nat. Res. Def. Council, Inc. v. SCAQMD*, 694 F. Supp. 2d 1092, 1103 (C.D. Cal. 2010) (Wu, J.) (“In its consideration of the motion [to dismiss], the court is limited to the allegations on the face of the complaint (including documents attached thereto), matters which are properly subject to judicial notice, and ‘documents whose contents are alleged in a complaint and whose authenticity no party questions, but which are not physically attached to the pleading,’” citing *Lee v. City of Los Angeles*, 250 F.3d 668, 688–89 (9th Cir.2001)); *Branch*, 14 F.3d at 453–54.

Consideration of these documents “does not convert the motion to dismiss into a motion for summary judgment.” *Id.* at 454 (quoting *Romani v. Shearson Lehman Hutton*, 929 F.2d 875, 879 n.3 (1st Cir. 1991)). The Court may properly consider the full text of documents mentioned in a complaint and is not bound by the plaintiff’s interpretation of them. *See In re Stac Elec. Sec. Litig.*, 89 F.3d 1399, 1405–09 (9th Cir. 1996).

Here, the Complaint specifically refers to and quotes from a number of ALCO books. Thus, these ALCO books (Director Exhibits 1 through 9; Lane excerpts of the same) are properly the subject of judicial notice.

DATED: April 18, 2011

CHAPIN FITZGERALD SULLIVAN LLP

By: /s/ Curtis G. Carll  
Kenneth M. Fitzgerald, Esq.  
Curtis G. Carll, Esq.  
Attorneys for Defendant  
Todd M. Lane

# **EXHIBIT 1**

David Roughton, Supervisory Committee

# ASSET & LIABILITY COMMITTEE

April 25, 2006

WESCORP.  
Expect more from us. We do.

**ASSET & LIABILITY COMMITTEE MEETING (ALCO)**

**TUESDAY, APRIL 25, 2006**

**AGENDA**

Call to order

**Adoption of Agenda**

Page(s)

- |      |   |                              |                         |
|------|---|------------------------------|-------------------------|
| I:   | <b>Consent Items</b><br><i>a. Approval of the Minutes for March 28, 2006</i><br><i>b. Credit Review</i> | Chairman Jim Jordan          | 1.1 – 1.2<br>1.3 – 1.10 |
| II:  | <b>ECONOMIC &amp; MARKET CONDITIONS</b>   | Bob Burrell                  | 2.1 – 2.12              |
| III: | <b>INTEREST RATE RISK REVIEW</b>  | Tim Sidley                   | 3.1 – 3.14              |
| IV:  | <b>MEMBER ACTIVITY</b>  | Jim Hayes<br>Dietmar Huesch  | 4.1 – 4.6               |
| V:   | <b>BUSINESS AND LIQUIDITY FORECAST</b>  | Dietmar Huesch               | 5.1 – 5.11              |
| VI:  | <b>STRATEGIES</b>   | Jeff Hamilton<br>Bob Burrell | 6.1 – 6.5               |
| VII: | <b>OTHER BUSINESS</b><br>• <i>Supporting Documentation</i>  | Bob Burrell                  | unnumbered              |

**ADJOURNMENT**

CONSENT AGENDA

ASSET & LIABILITY COMMITTEE MEETING (ALCO)

TUESDAY, MARCH 28, 2006

Minutes

CALL TO ORDER

A regular meeting was held and called to order by Chairman James Jordan at 8:00am (PDT) at WesCorp office in San Dimas, California.

ALCO MEMBERS PRESENT

Jim Jordan, Chairman; Warren Nakamura, member; Tim Kramer member, Robin Lentz, Robert Siravo, member and President/CEO; Todd Lane, CFO/EVP; Robert Burrell, EVP/CIO.

DIRECTORS PRESENT:

John Merlo, Chairman; Gordon Dames, Brian Osberg, Sharon Updike, Robert Harvey, Bill Rhamy.

SUPERVISORY COMMITTEE PRESENT:

Richard Cochran, Dave Roughton and Darren Williams.

STAFF PRESENT

Chris Barber, SVP-chief technical officer; David Trinder, VP-balance sheet management; Deborah Munoz, Director-internal audit; Dietmar Huesch, VP\_Treasury and funding; Jan Gregory, recording secretary; Jeb Burbott, Legal counsel; \*Jim Hayes, SVP-Business development & marketing; Laura Cloherty-VP/controller; Marjory Thornburg, Adm. Assistant to CEO; Pat Patterson, VP-Corporate administration; \*Rand Yamasaki, SVP-pacific operations; Sheri Ledbetter, Director-public relations; Timothy Sidley, VP-risk assessment; Tom Swedberg, VP-Human resources and Tony Kitt, SVP-correspondent services.

GUESTS

Lisa Landt, First Entertainment Credit Union; Frank Lugo, Investment services consultant.

\*-via teleconference

SECTION I: CONSENT AGENDA ITEMS

Mr. Jordan asked if there were any items requiring discussion.

*It was moved, seconded and VOTED to approve the minutes of February 26, 2006 and all items in this section.*

SECTION II: ECONOMIC & INTEREST RATE FORECAST

Mr. Burrell we have left our forecast for fed funds at 4.75. He believes that with the low inflation rate and the weakening housing market, this will cause the Fed to pause at the May 10 FOMC meeting. He said the economy remains strong and mortgage rates continue to increase. Interest rates remain in place as outlined in Section 2.1 through 2.4. He said in March, the market rates hit a peak that we have had in our forecast for months. Our forecast is based on the sense that the economy will soften in the second half of 2006.

SECTION III: INTEREST RATE RISK

Mr. Sidley stated in February, base Net Economic Value (NEV) was unchanged at \$1,653 million. Option adjusted spreads narrowed by three basis points to 35 bps and was offset by rising interest rates. NEV in the +300 basis point scenario, was -11% compared to -12.3% the previous month. The decrease was due to the impact of yield curve flattening and lower volatility. The 12-month static Net Interest Income (NII) simulation increased \$2.1 million to \$91.6 million. He said a prepayment shock test was conducted in February to measure the impact of changing prepayment speeds on the NEV.

SECTION IV: MEMBER ACTIVITY

Mr. Huesch stated Member balances increased by \$650 million for the month of February and average

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member loan balances declined by \$187 million during February to average \$2,504 billion. Certificate balances increased by \$144 million averaging \$11.727 billion. He said \$1,009 million in new certificates were booked in February, representing a 181 percent rollover rate

SECTION V: BUSINESS & LIQUIDITY FORECAST

Mr. Trinder stated Actual Net Interest Income for February came in at \$7.70 Million net of the PIC dividends, which is \$250,000 (3.4%) higher than the plan of \$7.45 million but \$630,000 (7.6%) lower than the same period a year ago. The projection for 2006 has increased from last month by \$2.2 million to \$86.8 million, compared to the plan of \$85.7 million. Mr. Trinder said the projection for the month of March shows \$7.63 million compared to the plan of \$6.57 million. Mr. Huesch stated our average net short-term liquidity position increased by \$865 million due to members balances increasing by \$650 million and member loans decreasing by \$184 million as well as the investment portfolio balance declining by \$116 million.

SECTION VI: STRATEGIES

Mr. Burrell stated as a result of increasing the portfolio target balance to \$19.50 billion, we have been accumulating securities to reach the new target balance. We completed the sale of \$258 million in securities, realizing a gain on the sale of \$351,000. We anticipate another sale of \$250-300 million in the near future. Our participation in upcoming deals should bring us near current policy limits and we may be asking to increase the limit on "AAA rated" CMBS from 200% to 250% of Total Capital to provide the flexibility in managing this area.

OTHER BUSINESS

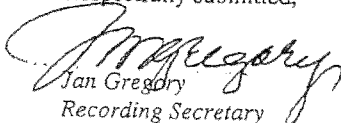
Mr. Burrell discussed the policy changes submitted and requested a motion to approve.

*It was moved, seconded and VOTED to approve the policy changes 400.1, 400.2, 400.3, 400.4, 400.5, 400.6, 400.7 and 400.8 as outlined in Section 7.*

ADJOURNMENT

With no further business to discuss, the meeting was adjourned at 8:45am (PDT).

Respectfully submitted,

  
Jan Gregory  
Recording Secretary

APPROVED:

\_\_\_\_\_  
Jim Jordan, ALCO Chairman

David Roughton, Supervisory Committee

**ASSET & LIABILITY COMMITTEE**  
September 19, 2006  
CU Outlook, Las Vegas, NV

• Send back to Tom Monaghan

**WESCORP.**  
Expect more from us. We do.

**ASSET & LIABILITY COMMITTEE MEETING (ALCO)**

**TUESDAY, SEPTEMBER 19, 2006**

**CU OUTLOOK, LAS VEGAS, NV**

**AGENDA**

Call to order

**Adoption of Agenda**

Page(s)

- |      |  |                                 |                        |
|------|--|---------------------------------|------------------------|
| I:   | <b>Consent Items</b><br><i>a. Approval of the Minutes for August 22, 2006</i><br><i>b. Credit Review</i>   | Chairman Jim Jordan             | 1.1 – 1.2<br>1.3 – 1.7 |
| II:  | <b>ECONOMIC &amp; MARKET CONDITIONS</b>  | Bob Burrell                     | 2.1 – 2.12             |
| III: | <b>INTEREST RATE RISK REVIEW</b>   | Tim Sidley                      | 3.1 – 3.15             |
| IV:  | <b>MEMBER ACTIVITY</b>   | Jim Hayes<br>Dietmar Huesch     | 4.1 – 4.7              |
| V:   | <b>BUSINESS AND LIQUIDITY FORECAST</b>   | David Trinder<br>Dietmar Huesch | 5.1 – 5.8              |
| VI:  | <b>STRATEGIES</b>  | Jeff Hamilton<br>Bob Burrell    | 6.1 – 6.6              |
| VII: | <b>OTHER BUSINESS</b> <ul style="list-style-type: none"><li>• <i>ALSC Minutes of July 25, 2006</i></li><li>• <i>Supporting Documentation</i></li></ul> | Bob Burrell                     | 7.1<br>unnumbered      |

**ADJOURNMENT**

CONSENT AGENDA

ASSET & LIABILITY COMMITTEE MEETING (ALCO)  
TUESDAY, AUGUST 22, 2006

Minutes

CALL TO ORDER

A regular meeting was held and called to order by Chairman James Jordan at 8:04am (PDT) at WesCorp's offices located at 924 Overland Court, San Dimas, California.

ALCO MEMBERS PRESENT

Tim Kramer, \*Brian Osberg, Warren Nakamura, Robert Siravo, member and President/CEO; Todd Lane, EVP/CFO; Robert Burrell, EVP/CIO.

DIRECTORS PRESENT:

John Merlo, Chairman; Gordon Dames, Robin Lentz, Sharon Updike and \*Sue Longson.

SUPERVISORY COMMITTEE PRESENT:

Dave Roughton and Richard Cochran

\* via teleconference

STAFF PRESENT

Chris Barber, SVP-chief technical officer; David Trinder, VP-balance sheet management; Deborah Munoz, Director-internal audit; Jan Gregory, recording secretary; Jeb Burbott, Legal counsel; Jeff Hamilton, VP-Portfolio manager; Jim Hayes, SVP-Business development & marketing; Laura Cloherty-VP/controller; Marjory Thornburg, Adm. Assistant to CEO; Pat Patterson, VP-Corporate administration; \*Rand Yamasaki, SVP-Pacific operations; Timothy Sidley, VP-risk assessment; Tom Swedberg, VP-Human resources and Tony Kitt, SVP-correspondent services.

SECTION I: CONSENT AGENDA ITEMS

Mr. Jordan asked if there were any items requiring discussion.

*It was moved, seconded and VOTED to approve the minutes of July 18., 2006, and all items in this section.*

SECTION II: ECONOMIC & INTEREST RATE FORECAST

Mr. Burrell stated the Fed did not raise the fed funds rate at the July FOMC Meeting and staff did not think the rates would be increased at the August meeting. Our forecast continues to reflect a belief that rates have peaked and will be going lower well into and through 2007. He said the median price of an existing home rose by .9% in June and that this is the lowest rate of increase since 1995 and have more unsold homes on the market than at anytime in previous history.

SECTION III: INTEREST RATE RISK

Mr. Sidley stated in July, base Net Economic Value (NEV) increased by \$10.5 million to \$1,674.1 million due mainly to a \$7 million increase in RUDE and MCA. NEV, in the +300 basis point scenario, was -12.0% compared to -13.0% in the previous month due to the longer duration of liabilities caused by the issuance of \$520 million fixed rate WesCorp certificates that were not swapped to floating. The base NEV ratio increased .64% to 6.83% due to a \$2.4 billion decrease in the month-end balance sheet and an increase in base NEV. The 12-month static Net Interest Income (NII) simulation decreased \$4.8 million to \$81.9 million due to a smaller balance sheet. A four yield curve shock test was conducted in July and he said the greatest risk is in the scenario where both long and short rates rise but long rates rise more.

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SECTION IV: MEMBER ACTIVITY

Mr. Trinder asked the committee to refer to Section 4.3 and said member balances declined by \$235 million for the month of July to average \$16.080 billion. Average daily balances increased by \$91 million, averaging \$4.095 billion, which is \$918 million below last year's level. He also asked the committee to refer to Section 4.5 and briefly discussed the Corporate Rate comparison.

SECTION V: BUSINESS & LIQUIDITY FORECAST

Mr. Trinder stated actual Net Interest Income for July came in at \$6.05 million, which is \$950,000 (13.5%) below the plan of \$7.0 million and \$1.1 million (15.4%) lower than the same period a year ago. The projection for 2006 is basically unchanged from last month at \$81.36 million compared to the plan of \$85.7 million and the projection for the month of August is showing \$6.08 million. Mr. Trinder also said our average et short-term liquidity position decreased by \$207 million due to member balances decreasing by \$235 million, member loans increasing by \$39 million and the investment portfolio balance decreasing by \$48 million. He said the Medium Term Note (MTN) has been delayed but expects it to be completed by the end of the week.

SECTION VI: STRATEGIES

Mr. Hamilton said our strategy is to continue to leverage the balance sheet as much as possible. We have raised the portfolio target balance to \$20.0 billion from \$19.8 billion due to an easing in our wholesale funding requirements. He said we have \$1 billion in securities we can sell if needed.

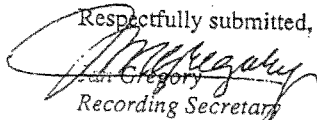
Action Item: The Investment Sale Details (Section 6.5) will include new rates for each sale item indicated.

Action Item: Mr. Burrell said we may have to come back to the committee in September or October to discuss possible new sectors.

ADJOURNMENT

With no further business to discuss, the meeting was adjourned at 8:39 am (PDT).

Respectfully submitted,

  
Jan Gregory  
Recording Secretary

APPROVED:

\_\_\_\_\_  
Jim Jordan, ALCO Chairman

David Roughton, Supervisory Committee

# ASSET & LIABILITY COMMITTEE

October 31, 2006

WESCORP.

Expect more from us. We do.



**ASSET & LIABILITY COMMITTEE MEETING (ALCO)**

**TUESDAY, OCTOBER 31, 2006  
RANCHO MIRAGE – PLANNING SESSION**

**AGENDA**

Call to order

**Adoption of Agenda**

Page(s)

- |  |                     |                         |
|--|---------------------|-------------------------|
| <b>I: Consent Items</b><br><i>a. Approval of the Minutes for September 19, 2006</i><br><i>b. Credit Review</i> | Chairman Jim Jordan | 1.1 – 1.2<br>1.3 – 1.16 |
| <b>II: ECONOMIC &amp; MARKET CONDITIONS</b>  | Bob Burrell         | 2.1 – 2.12              |
| <b>III: INTEREST RATE RISK REVIEW</b>  | Tim Sidley          | 3.1 – 3.15              |
| <b>IV: MEMBER ACTIVITY</b>   | Jim Hayes           | 4.1 – 4.7               |
| <b>V: BUSINESS AND LIQUIDITY FORECAST</b>  | Bob Burrell         | 5.1 – 5.12              |
| <b>VI: STRATEGIES</b>  | Bob Burrell         | 6.1 – 6.6               |
| <b>VII: OTHER BUSINESS</b><br>• <i>Supporting Documentation</i>  | Bob Burrell         | unnumbered              |

**ADJOURNMENT**



CONSENT AGENDA

ASSET & LIABILITY COMMITTEE MEETING (ALCO)

TUESDAY, SEPTEMBER 19, 2006  
CU OUTLOOK, BELLAGIO – LAS VEGAS

**Minutes**

CALL TO ORDER

Mr. Siravo welcomed the attendees to CU Outlook. An open meeting was held and called to order by Chairman James Jordan at 9:09 am (PDT) at WesCorp's CU Outlook in Las Vegas, Nevada.

ALCO MEMBERS PRESENT

Jim Jordan, Chairman, Tim Kramer, Warren Nakamura, Robert Siravo, member and President/CEO; Todd Lane, EVP/CFO; Robert Burrell, EVP/CIO.

DIRECTORS PRESENT:

John Merlo, Chairman; Gordon Dames, Brian Osberg, Robin Lentz, Sharon Updike and Sue Longson.

SUPERVISORY COMMITTEE PRESENT:

Dave Roughton, Darren Williams and Richard Cochran

STAFF PRESENT

Dietmar Huesch; VP-treasury and funding, Jeff Hamilton, VP-Portfolio manager; Jeremy Calva, VP-Investment operations, Jim Hayes, SVP-Business development & marketing; Laura Cloherty-VP/controller; Marjory Thornburg, Adm. Assistant to CEO; Pat Patterson, VP-Corporate administration; Rand Yamasaki, SVP-Pacific operations; Timothy Sidley, VP-risk assessment; Tom Swedberg, VP-Human resources and Tony Kitt, SVP-correspondent services.

SECTION I: CONSENT AGENDA ITEMS

Mr. Jordan asked if there were any items requiring discussion.

*It was moved, seconded and VOTED to approve the minutes of August 22, 2006, and all items in this section.*

SECTION II: ECONOMIC & INTEREST RATE OUTLOOK

Mr. Burrell stated the FOMC decided to leave interest rates unchanged on August 8 and the economic data has continued to moderate, and any relief from inflation pressures is still just a hope. WesCorp staff expects the Fed to remain on hold and believes that the weak jobs market, the draining impact of higher interest rates and higher energy costs for consumers, and the rapidly weakening housing market has ended the tightening cycle. Our forecast continues to reflect a belief that interest rates peaked in June and will be trending lower well into and through 2007.

SECTION III: INTEREST RATE RISK

Mr. Sidley stated in August, base Net Economic Value (NEV) increased by \$23 million to \$1,697 million due mainly to a 10 to 25 basis point decline in rates and increase in RUDE. NEV, in the +300 basis point scenario, was -10.6% compared to -12.0% in the previous month due to a decline in interest rates and the extension of certificate maturities. The base NEV ratio decreased .31% to 6.52% due to a \$1.5 billion increase in the month-end balance sheet. The 12-month static Net Interest Income (NII) simulation increased \$0.4 million to \$82.3 million.

SECTION IV: MEMBER BUSINESS ACTIVITY

Mr. Lane stated briefly discussed the membership totals by state as of August 2006 and stated our most recent state was Kentucky. He outlined the data encompassed in the new members graph as of 2006. Mr. Hayes stated

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borrowing is up but there is not much share growth. He said we have booked \$623 million in new certificates in August (with \$525 million of these bookings occurring in fixed-rate certificates) which represents a 77 percent rollover rate.

SECTION V: BUSINESS & LIQUIDITY FORECAST

Mr. Huesch referred to the composition of the balance sheet as of August 31, 2006. He discussed the plan for 2006 and said we are \$4.2 million below plan at this time. Mr. Huesch stated NEV has been low for the past two years and we are being very conservative. He said we have plenty of room for growth as capital is at a 6% level. Mr. Huesch mentioned the Medium Term Note Program which was issued today for \$1 billion.

SECTION VI: STRATEGIES

Mr. Hamilton said staff has reviewed the strategies laid out in the 2006 business plan in light of current market conditions. Several alternative strategies to reduce usage under this limit have been implemented and it appears that we have now reduced usage to a more reasonable level. We intend to purchase approximately \$200 million a month as opportunities present themselves. Our remaining purchase needs will consist of purchasing floating rate assets. Our strategy is to continue to leverage the balance sheet as much as possible. We have raised the portfolio target balance to \$20.5 billion from \$20 billion due to the issuance of \$1 billion in Medium Term Notes for September settlement.

SECTION VII: OTHER BUSINESS

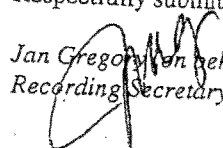
Mr. Burrell closed the open ALCO meeting at 10:20am and opened up for discussion materials requiring approval from the ALCO committee. He stated \$7.5 billion in borrowing was exceeded twice during the month of August due to short term rates but as of today, we are back within the limit. He stated Evangelical Christian Credit Union's CUSO Ministry Partners (MPIC) is currently offering to exchange 5,500 share of Class I Preferred Stock for \$550,000 of their outstanding Series A preferred stock. WesCorp management intends to exchange the old Class A preferred into the new Class I preferred. Mr. Burrell is asking for approval to roll \$550,000 into new stock being issued in preferred stock.

*RESOLVED that, in accordance with the recommendation of the Asset & Liability Committee made this date, WesCorp exchange all its fifty (50) shares of Series A Preferred Stock in Ministry Partners Investment Corporation for Five Hundred Shares (500) shares of its Class I Preferred Stock, in the manner described in that certain Private Placement Memorandum dated August 17, 2006; and that the President/CEO or any Vice-President of WesCorp is authorized to execute any document necessary to effectuate such exchange.*

ADJOURNMENT

With no further business to discuss, the meeting was adjourned at 10:30 am (PDT).

Respectfully submitted,

  
Jan Gregory (on behalf of Marjory Thornburg)  
Recording Secretary

APPROVED:

\_\_\_\_\_  
Jim Jordan, ALCO Chairman

David Roughton, Supervisory Committee

# ASSET & LIABILITY COMMITTEE

December 19, 2006 (Teleconference)

WESCORP.   
Expect more from us. We do.

**ASSET & LIABILITY COMMITTEE MEETING (ALCO)**

**TUESDAY, DECEMBER 19, 2006**

**TELECONFERENCE**

**AGENDA**

Call to order

Adoption of Agenda

Page(s)

**I: Consent Items**

Chairman Jim Jordan

*a. Approval of the Minutes for November 28, 2006*

1.1 – 1.2

*b. Credit Review*

1.3 – 1.9

**II: ECONOMIC & MARKET CONDITIONS**

Bob Burrell

2.1 – 2.11

**III: INTEREST RATE RISK REVIEW**

Tim Sidley

3.1 – 3.15

**IV: MEMBER ACTIVITY**

Jim Hayes

4.1 – 4.7

Dietmar Huesch

**V: BUSINESS AND LIQUIDITY FORECAST**

David Trinder

5.1 – 5.9

Dietmar Huesch

**VI: STRATEGIES**

Jeff Hamilton

6.1 – 6.6

Bob Burrell

**VII: OTHER BUSINESS**

Bob Burrell

• *Sale/Purchase of Shares in CU Business Partners, LLC*

7.0

• *ALSC minutes of October 25 and November 17, 2006*

7.1-7.4

• *Supporting Documentation*

unnumbered

**ADJOURNMENT**

CONSENT AGENDA

ASSET & LIABILITY COMMITTEE MEETING (ALCO)

TUESDAY, NOVEMBER 28, 2006

Minutes

CALL TO ORDER

The open ALCO meeting was held and called to order by Chairman James Jordan at 3:00pm (PDT) at the Sheraton Moana Surfrider Hotel in Hawaii. Mr. Siravo welcomed guests and attendees to this meeting.

ALCO MEMBERS PRESENT

Jim Jordan, Chairman, Robert Harvey, Tim Kramer, Warren Nakamura, Robert Siravo, member and President/CEO; Todd Lane, EVP/CFO; Robert Burrell, EVP/CIO.

DIRECTORS PRESENT:

John Merlo, Chairman; Gordon Dames, Brian Osberg, Robin Lentz, Sharon Updike and Sue Longson.

SUPERVISORY COMMITTEE PRESENT:

Richard Cochran and Dave Roughton

STAFF PRESENT

Chris Barber, SVP-chief technical officer; David Trinder, VP-balance sheet management; Jeff Hamilton, VP-Portfolio manager; Jim Hayes, SVP-Business development & marketing; Delton Ho, VP-pacific operations; Dennis Toda, VP-operational integrity; Dietmar Huesch, VP-treasury and funding; Laura Cloherty-VP/controller; Deborah Munoz, Director-internal audit; Marjory Thornburg, Adm. Assistant to CEO; Pat Patterson, VP-Corporate administration; Rand Yamasaki, SVP-Pacific operations; Sheri Ledbetter, director-public relations; Timothy Sidley, VP-risk assessment; Tom Swedberg, VP-Human resources; Jeff Merry-liquidity consultant; and Tony Kitt, SVP-correspondent services.

VISITOR PRESENT

Dave Charfield

SECTION I: CONSENT AGENDA ITEMS

Mr. Jordan asked if there were any items requiring discussion.

*It was moved, seconded and VOTED to approve as written  
the minutes of October 31, 2006.*

INVESTMENT CREDIT ACTIONS

Mr. Sidley briefly discussed the items in the Investment Credit Review.

*It was moved, seconded and VOTED to approve the information  
encompassed in this section.*

ECONOMIC & INTEREST RATE FORECAST

Mr. Burrell stated our forecast continues to reflect a belief that interest rates peaked in June and will be trending lower into and through 2007. The only change to our forecast is we have moved the first Fed rate cut from January 31 to March 28. He stated Nonfarm Payroll may be an issue and said that payroll grew by only 92k but the two preceding months were revised sharply higher. Mr. Burrell said the yield is dramatically flat and this is not good for credit unions. There isn't much hope for a steep yield curve at this time and he believes the flat yield curve will be around for quite some time.

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RISK ASSESSMENT

Mr. Sidley briefly discuss this area and how the QRM asset management module is used. He said we conducted a credit spread shock test this month because credit spreads are at a historically narrow basis.

MEMBER BUSINESS ACTIVITY

Mr. Lane discussed the membership totals by state as of October 2006. Mr. Hayes discussed the Member Shares and Certificate slides provided. He said \$818 million in new certificates were book in October, representing a 150% rollover rate, growth for the first time in several months.

BUSINESS FORECAST

Mr. Trinder said year-to-date, Net Interest Income (NII) stands at \$65.70 million, which is \$3.8 million below plan and \$13.5 million below the same period last year. The variance was caused by actual interest rates being substantially higher than plan. The projection for the month of November is showing \$6.60 million compared to the plan of \$8.44 million.

LIQUIDITY

Mr. Huesch stated our net short-term liquidity position increased by \$924 million due to average member balances increasing by \$365 million. Short term borrowings averaged \$6.661 billion for the month costing an average rate of 5.346%.

STRATEGIES

Mr. Hamilton said we continue to leverage the balance sheet as much as possible and have raised our portfolio target balance to \$21.25 billion and plan to increase the portfolio each month with the projected increase in member balances.

OTHER BUSINESS

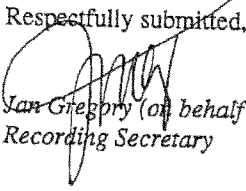
Mr. Burrell discussed the request to add new collateral types and the requested policy amendments as outlined on Section 7.1 and 7.2. He has asked for approval of both items.

*It was moved, seconded and VOTED to approve the addition of New Collateral Types Inter-Modal Equipment Lease and Liquidity Funding Notes Outlined on 7.1 and to approve the requested Policy Amendments 300.6, 940.2 and 940.5 as indicated on Section 7.2*

ADJOURNMENT

With no further business to discuss, the meeting was adjourned at 3:30pm (PDT).

Respectfully submitted,

  
Jan Gregory (on behalf of Marjory Thornburg)  
Recording Secretary

APPROVED:

\_\_\_\_\_  
Jim Jordan, ALCO Chairman



David Roughton, Supervisory Committee

# ASSET & LIABILITY COMMITTEE

January 23, 2007

**WESCORP.**   
Expect more from us. We do.

NCUA v. Siravo, et al.  
CV10-01597 GW (MANx)

Defendant Todd M. Lane

Judicially Noticed Documents  
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**ASSET & LIABILITY COMMITTEE MEETING (ALCO)**

**TUESDAY, JANUARY 23RD, 2007**

**SAN DIMAS**

**AGENDA**

Call to order

Adoption of Agenda

Page(s)

I: Consent Items

Chairman Jim Jordan

a. *Approval of the Minutes for December 19, 2006*

1.1 – 1.2

b. *Credit Review*

1.3 – 1.7

II: ECONOMIC & MARKET CONDITIONS

Bob Burrell

2.1 – 2.12

III: INTEREST RATE RISK REVIEW

Tim Sidley

3.1 – 3.15

IV: MEMBER ACTIVITY

Jim Hayes  
Dietmar Huesch

4.1 – 4.7

V: BUSINESS AND LIQUIDITY FORECAST

David Trinder  
Dietmar Huesch

5.1 – 5.11

VI: STRATEGIES

Jeff Hamilton  
Bob Burrell

6.1 – 6.4

VII: OTHER BUSINESS

- *Supporting Documentation*

Bob Burrell

unnumbered

ADJOURNMENT

CONSENT AGENDA

ASSET & LIABILITY COMMITTEE MEETING (ALCO)

TUESDAY, DECEMBER 19, 2006

Minutes

CALL TO ORDER

A regular meeting was held and called to order by Chairman James Jordan at 9:03 am. (PDT) at the WesCorp office in San Dimas, California.

ALCO MEMBERS PRESENT

\*Jim Jordan, Chairman, \*Robin Lentz, \*Tim Kramer, \*Warren Nakamura, \*Robert Siravo, member and President/CEO; Todd Lane, EVP/CFO; Robert Burrell, EVP/CIO.

DIRECTORS PRESENT:

\*John Merlo, Chairman; \*Robert Harvey, Vice Chairman; \*Gordon Dames, \*Brian Osberg, \*Sharon Updike, \*Sue Longson, and \*Wayne Hope.

SUPERVISORY COMMITTEE PRESENT:

\*Richard Cochran, \*Dave Roughton, \*Diana Dykstra, and \*Darren Williams

\* via teleconference

STAFF PRESENT

Chris Barber, SVP-chief information officer; David Trinder, VP-balance sheet management; Deborah Munoz, Director-internal audit; Dietmar Huesch, VP-treasury and funding; Jan Gregory, Loan participation coordinator; Jeb Burbott, VP-general counsel; Jeff Hamilton, VP-portfolio management; Jim Hayes, SVP-business development and marketing; Ketty Cheng, Manager-balance sheet management; Laura Cloherty, VP-controller; Marjory Thornburg, Adm. Assistant to CEO; Pat Patterson, VP-corporate administration; \*Rand Yamasaki, SVP-pacific operations; Russell Douglass, Recording secretary; Sheri Ledbetter, Director-public relations; Timothy Sidley, VP-risk assessment; Tom Swedberg, VP-strategic planning.

SECTION I: CONSENT AGENDA ITEMS

Mr. Jordan asked if there were any items requiring discussion.

*It was moved, seconded and VOTED to approve as written  
the minutes of November 28, 2006.*

ECONOMIC & INTEREST RATE FORECAST

Mr. Burrell stated yields have changed little since the last ALCO meeting. Economic numbers have been mixed and there is no expectation for the Fed tightening rates in the near future. The neutral Fed Funds rates appears to be around the 4.25% level, so expectation is the Fed will eventually have to drop rates to that level. WesCorp staff has left the rate forecast relatively unchanged. Staff expects the Fed to remain on hold at least until the March 2007 meeting.

RISK ASSESSMENT

Mr. Sidley stated November, NEV, in the +300 basis point scenario, was -11.6% compared to -12.9% in the previous month. The 1.3% decrease in NEV volatility was mainly due to a decline in rates. The 12-month static Net Interest Income (NII) simulation increased \$1.4 million to \$86.7 million. In the up 300 basis point scenario, the NII sensitivity was -46.4%. Risk Assessment conducted an interest rate stress test to measure NEV volatility at different points along the yield curve. WesCorp is most sensitive in the 2 to 5 year segment. If interest rates move up 10 basis points, NEV declines by \$1 million at the 3 year point on the curve. This represents low risk to changes in rate and the structure of the yield curve.

1.1

MEMBER BUSINESS ACTIVITY

Mr. Huesch discussed recent share and certificate activity. November was the third month of increases in balances in a period of typically declining member activity. Members are moving Market Daily balances into Certificates. Member loan balances continue to decline. Mr. Hayes stated, in business development's discussions with members that increasing liquidity is mainly coming from declining loan demand rather than share growth.

BUSINESS FORECAST

Mr. Trinder said actual Net Interest Income for November came in at \$6.28 million net of the PIC dividends, which is \$2.15 million below the plan of \$8.44 million and \$0.87 million lower than the same period a year ago. Year-to-date, NII stands at \$71.98 million. An accounting entry for trading swaps was passed as a \$286,000 expense instead of \$91,000 income. This will be reversed in December. Absent this entry, actual results would have been slightly better than our most recent projection for November of \$6.60 million. The projection for calendar 2006 is \$79.16 million.

LIQUIDITY

Mr. Huesch stated, during November WesCorp's average net short-term liquidity position increased by \$512 million. The primary drivers for the change in the liquidity position were average member's balances increasing by \$635 million, average member loans decreasing by \$189 million and the average investment portfolio balance increasing by \$311 million.

STRATEGIES

Mr. Hamilton stated \$1 billion in securities have been purchased in November and in December. Portfolio Management taken advantage of the recent Board approved policy amendments to purchase additional CMBS securities at attractive spreads. These purchases enabled us to reach our target balance and once again brought us to our limit in this sector. The first Inter-Modal Equipment Lease deal was purchased and a USC fixed rate certificate was purchased, funded by unswapped fixed certificates. Mr. Trinder noted there were a large amount of interest rate swaps purchased in November to convert to a floating rate, fixed term repo borrowing that were purchased to cover funding needs through year-end. Mr. Burrell stated investments spreads have not tightened further.

OTHER BUSINESS

Mr. Lane discussed the request to sell WesCorp's class A shares in CU Business Partners, LLC and purchase class C shares as outlined on Section 7.0. He has asked for approval of both items.

*It was moved, seconded and VOTED to approve the sale of CU Business Partners, LLC class A shares and purchase class C shares for the same total purchase price of \$100,000.*

ADJOURNMENT

With no further business to discuss, the meeting was adjourned at 9:20am (PDT).

Respectfully submitted,

APPROVED:

Russell Douglass  
Recording Secretary

\_\_\_\_\_  
Jim Jordan, ALCO Chairman

1.2

David Roughton, Supervisory Committee

# ASSET & LIABILITY COMMITTEE

February 25, 2007

**WESCORP.**  
Expect more from us. We do.

**ASSET & LIABILITY COMMITTEE MEETING (ALCO)**

**SUNDAY, FEBRUARY 25TH, 2007**

**CUNA GAC**

**AGENDA**

Call to order

Adoption of Agenda

Page(s)

- |      |  |                                 |             |
|------|--|---------------------------------|-------------|
| I:   | <b>Consent Items</b>                                       | Chairman Jim Jordan             |             |
|      | <i>a. Approval of the Minutes for January 23, 2007</i>     |                                 | 1.1 – 1.2   |
|      | <i>b. Credit Review</i>                                    |                                 | 1.3 – 1.10  |
|      | <i>c. VolCorp Credit Sensitive Securities</i>              |                                 | 1.11 – 1.12 |
| II:  | <b>ECONOMIC &amp; MARKET CONDITIONS</b>                    | Bob Burrell                     | 2.1 – 2.12  |
| III: | <b>INTEREST RATE RISK REVIEW</b>                           | Tim Sidley                      | 3.1 – 3.16  |
| IV:  | <b>MEMBER ACTIVITY</b>                                     | Jim Hayes<br>Dietmar Huesch     | 4.1 – 4.7   |
| V:   | <b>BUSINESS AND LIQUIDITY FORECAST</b>                     | David Trinder<br>Dietmar Huesch | 5.1 – 5.10  |
| VI:  | <b>STRATEGIES</b>  | Jeff Hamilton<br>Bob Burrell    | 6.1 – 6.4   |
| VII: | <b>OTHER BUSINESS</b>                                      | Bob Burrell                     |             |
|      | • <i>ALSC minutes of December 8, 2006</i>                  |                                 | 7.1 – 7.2   |
|      | • <i>Federal Home Loan Bank Membership-Motion Required</i> |                                 | 7.3 – 7.4   |
|      | • <i>Supporting Documentation</i>                          |                                 | unnumbered  |

**ADJOURNMENT**

CONSENT AGENDA



**ASSET & LIABILITY COMMITTEE MEETING (ALCO)**

**TUESDAY, JANUARY 23, 2007**

**Minutes**

**CALL TO ORDER**

A regular meeting was held and called to order by Chairman James Jordan at 8:02 am. (PDT) at the WesCorp office in San Dimas, California.

**ALCO MEMBERS PRESENT**

Jim Jordan, Chairman, Brian Osberg, Tim Kramer, Warren Nakamura, Robert Siravo, member and President/CEO; Todd Lane, EVP/CFO; Robert Burrell, EVP/CIO.

**DIRECTORS PRESENT:**

John Merlo, Chairman; Robert Harvey, Vice Chairman; \*Gordon Dames, \*Robin Lentz, Sharon Updike, Sue Longson, and \*Wayne Hope.

**SUPERVISORY COMMITTEE PRESENT:**

Richard Cochran, Dave Roughton, Diana Dykstra, and Darren Williams

*\* via teleconference*

**STAFF PRESENT**

Chris Barber, SVP-chief information officer; David Trinder, VP-balance sheet management; Deborah Munoz, Director-internal audit; Dietmar Huesch, VP-treasury and funding; Jeb Burbott, VP-general counsel; Jeff Hamilton, VP-portfolio management; Jim Hayes, SVP-business development and marketing; Ketty Cheng, Manager-balance sheet management; Laura Cloherty, VP-controller; Marjory Thornburg, Adm. Assistant to CEO; Pat Patterson, VP-corporate administration; SVP-pacific operations; Sheri Ledbetter, Director-public relations; Timothy Sidley, VP-risk assessment; Tom Swedberg, VP-strategic planning; and Tony Kitt, SVP-Correspondent Services.

**SECTION I: CONSENT AGENDA ITEMS**

Mr. Jordan asked if there were any items requiring discussion.

*It was moved, seconded and VOTED to approve the items in the Consent Agenda section with a correction to the ALCO membership recorded in the minutes of December 19, 2006.*

**ECONOMIC & INTEREST RATE FORECAST**

Mr. Burrell stated yields have changed little since the last ALCO meeting. Economic numbers have been mixed and there is no expectation for the Fed tightening rates in the near future. There will be a lot of economic data release in coming months, including seasonal adjustments from the holidays; and inflation is beginning to be less of a concern. WesCorp staff has left the rate forecast relatively unchanged.

**RISK ASSESSMENT**

Mr. Sidley stated December, NEV, in the +300 basis point scenario, was -14.8% compared to -11.6% in the previous month. The 3.2% increase in NEV volatility was mainly due to an increase in rates and the purchase of \$400 million of fixed rate assets. The 12-month static Net Interest Income (NII) simulation increased \$2.5 million to \$89.2 million. In the up 300 basis point scenario, the NII sensitivity was -57.5%. Mr. Burrell requested that the NII limit in the +300 basis point be temporarily increase through April 2007 to handle expected significant member inflows. It is not expected that the usage of this limit will exceed 70%. Risk Assessment conducted an interest rate stress test to measure NEV volatility at different points along the yield curve. WesCorp is most sensitive in the one to two year part of the curve. If interest rates steepen by 100 basis points, NEV declines by 25.3% in the up 300 basis point shock scenario.

1.1

MEMBER BUSINESS ACTIVITY

Mr. Huesch discussed recent share and certificate activity. Average daily balance increased by \$418 million during the month and it is \$1.3 billion above last year's level. Member loan balances continue to decline. Mr. Hayes indicated growth in deposits and shares, with member balances mostly in the short term market.

BUSINESS FORECAST

Mr. Trinder stated actual Net Interest Income for December came in at \$6.1 million net of the PIC dividends, and calendar year 2006 net interest income at \$78.1 million, which is 8.9% below plan. The plan for 2007 Net Interest Income is at \$86.5 million, and the latest projection is at \$86.8 million, using the forward curve at month-end December. Mr. Trinder indicated the balance sheet is very sensitive to the funds rate, and Mr. Burrell added the importance of the gap between the 1-month LIBOR and the overnight funds rate. Mr. Lane indicated that the capital ratio was below the 6% internal policy limit, and requested a waiver for the capital ratio to decline below the 6% internal policy limit from December 2006 to May 2007.

LIQUIDITY

Mr. Huesch stated during December, WesCorp's average net short-term liquidity position decreased by \$132 million. The primary drivers for the change in the liquidity position were average member's balances increasing by \$754 million, average member loans decreasing by \$109 million and the average investment portfolio balance increasing by \$966 million.

STRATEGIES

Mr. Hamilton stated \$1.5 billion in securities have been purchased in December and in January. The portfolio was increased to \$22.9 billion at year-end. The increase over planned levels is to compensate for the \$700 million shortfall in member loans and to pre-reinvest January and February projected maturities. December purchase also included \$400 million of fixed rate callable certificates with a 1-year lock out. Going forward, the portfolio will continue purchase of floating rate assets and swapping term fixed certificates issued with maturities of 1-year and longer to floating. The strategy is to continue to leverage the balance sheet as much as possible. Portfolio target balance is raised to \$23 billion.

OTHER BUSINESS

The ALCO discussed the request to allow the capital ratio to decline below the 6% internal policy limit from December 2006 to May 2007.

*It was moved, seconded and **VOTED** to recommend that the board approve a waiver for the capital ratio to decline below the 6% internal policy limit from December 2006 to May 2007.*

The ALCO discussed the request to allow the limit on NII volatility to allow usage to temporarily exceed the 60% policy limit through April 2007.

*It was moved, seconded and **VOTED** to recommend that the board approve a waiver for the NII shock limit to be exceeded through April 2007.*

ADJOURNMENT

With no further business to discuss, the meeting was adjourned at 8:43am (PDT).

Respectfully submitted,

Ketty Cheng  
Recording Secretary

APPROVED:

\_\_\_\_\_  
Jim Jordan, ALCO Chairman

1.2

David Roughton, Supervisory Committee

# ASSET & LIABILITY COMMITTEE

March 27, 2007

*forecast PLS using forward  
rate curve*

WESCORP.

Expect more from us. We do.

**ASSET & LIABILITY COMMITTEE MEETING (ALCO)**

**TUESDAY, MARCH 27, 2007  
MONTEREY CCUL BIG VALLEY**

**AGENDA**

Call to order

Adoption of Agenda

Page(s)

- |      |   |                     |            |
|------|---|---------------------|------------|
| I:   | Consent Items   | Chairman Jim Jordan |            |
|      | a. <i>Approval of the Minutes for February 25, 2007</i> |                     | 1.1 – 1.2  |
|      | b. <i>Credit Review</i>                                 |                     | 1.3 – 1.11 |
|      |   |                     |            |
| II:  | ECONOMIC & MARKET CONDITIONS                            | Bob Burrell         | 2.1 – 2.13 |
|      |   |                     |            |
| III: | INTEREST RATE RISK REVIEW                               | Tim Sidley          | 3.1 – 3.13 |
|      |   |                     |            |
| IV:  | MEMBER ACTIVITY   | Jim Hayes           | 4.1 – 4.7  |
|      |   |                     |            |
| V:   | BUSINESS AND LIQUIDITY FORECAST                         | Bob Burrell         | 5.1 – 5.10 |
|      |   |                     |            |
| VI:  | STRATEGIES  | Bob Burrell         | 6.1 – 6.6  |
|      |   |                     |            |
| VII: | OTHER BUSINESS  | Bob Burrell         |            |
|      | • <i>ALSC minutes of January 17, 2007</i>               |                     | 7.1 – 7.2  |
|      | • <i>ALSC minutes of February 12, 2007</i>              |                     | 7.3 – 7.4  |
|      | • <i>Supporting Documentation</i>                       |                     | unnumbered |

**ADJOURNMENT**

CONSENT AGENDA

**ASSET & LIABILITY COMMITTEE MEETING (ALCO)**

**SUNDAY, FEBRUARY 25, 2007**

**Minutes**

**CALL TO ORDER**

A regular meeting was held and called to order by Chairman James Jordan at 8:35 am. (EST) at the CUNA GAC in Washington D.C.

**ALCO MEMBERS PRESENT**

Jim Jordan, Chairman, Brian Osberg, \*Tim Kramer, Warren Nakamura, Robert Siravo, member and President/CEO; Todd Lane, EVP/CFO; Robert Burrell, EVP/CIO.

**DIRECTORS PRESENT:**

John Merlo, Chairman; Robert Harvey, Vice Chairman; Gordon Dames, Robin Lentz, Sharon Updike, Sue Longson, and Wayne Hope.

**SUPERVISORY COMMITTEE PRESENT:**

Richard Cochran, Diana Dykstra, and Darren Williams

**GUESTS:**

Rick Veach, Bill Earner, Ken Robinson, and Dick Johnson.

**STAFF PRESENT**

\*Deborah Munoz, Director-internal audit; Jeb Burbott, VP-general counsel; Jim Hayes, SVP-business development and marketing; \*Laura Cloherty, VP-controller; Marjory Thornburg, Adm. Assistant to CEO; \*Pat Patterson, VP-corporate administration; Rand Yamasaki, SVP-Pacific operations; Sheri Ledbetter, Director-public relations; Timothy Sidley, VP-risk assessment; and Tony Kitt, SVP-Correspondent Services.

*\* via teleconference*

**SECTION I: CONSENT AGENDA ITEMS**

Mr. Jordan asked if there were any items requiring discussion.

*It was moved, seconded and VOTED to approve the items in the Consent Agenda section, including the minutes of January 23, 2007.*

**ECONOMIC & INTEREST RATE FORECAST**

Mr. Burrell stated yields have changed little since the last ALCO meeting. Economic numbers have been mixed, GDP is expected to be around 2.7%, and the Federal Reserve aims to maintain inflation around 1-2%. Housing affordability continues to be an issue, with general tighter lending standards in the market. There are a lot of activities in the equity market, and housing market continues to drag in 2007. WesCorp rate forecast has fed funds decline pushed back toward the end of the year.

**RISK ASSESSMENT**

Mr. Sidley stated January, NEV, in the +300 basis point scenario, was -16.4% compared to -14.8% in the previous month. The 1.62% increase in NEV volatility was mainly due to an increase in rates. The 12-month static Net Interest Income (NII) simulation decreased \$.3 million to \$88.9 million. In the up 300 basis point scenario, the NII sensitivity was -60.6%. NII limit in the +300 basis point will be increase to -70% through April 2007.

Russ Douglass has produced reports as a back up test for the NCUA. Baoho Chang has left WesCorp, and is replaced by Steve Waldell.

*I.I*



**MEMBER BUSINESS ACTIVITY**

Mr. Burrell discussed recent share and certificate activity. Average daily balance increased by \$708 million during the month to average \$18.3 billion, and it is \$2.8 billion above last year's level. Member balance should peak in April. Member loan balances continue to decline.

**BUSINESS FORECAST**

Mr. Burrell stated actual Net Interest Income for January came in at \$7.2 million net of the PIC dividends, which is \$800,000 over plan. The plan for 2007 Net Interest Income is at \$86.5 million, and the latest projection is at \$86.5 million using the forward curve at month-end January. The forward curve as at month-end January projects higher rates than were projected when the plan was created – notably the funds rate is some 19 basis points higher on average for 2007.

**LIQUIDITY**

Mr. Burrell stated during January, WesCorp's average net short-term liquidity position decreased by \$475 million. The primary drivers for the change in the liquidity position were average member's balances increasing by \$704 million, and the average investment portfolio balance increasing by \$1.23 billion. The internal capital ratio of 6% will be within policy limit by April as requested in waiver.

**STRATEGIES**

Mr. Burrell stated \$621 million in securities have been purchased in January. The portfolio was increased to \$23.0 at the end of January. Going forward, the portfolio will continue purchase of floating rate assets and swapping term fixed certificates issued with maturities of 1-year and longer to floating. The strategy is to continue to leverage the balance sheet as much as possible. Portfolio target balance is raised to \$24 billion.

**OTHER BUSINESS-(MOTION REQUIRED)**

Mr. Burrell discussed the benefits of membership at the San Francisco Federal Home Loan Bank.  
*It was moved, seconded and VOTED to recommend that the board approve membership of the Federal Home Loan Bank, San Francisco.*

**ADJOURNMENT**

With no further business to discuss, the meeting was adjourned at 9:10am (EST).

Respectfully submitted,

Ketty Cheng  
Recording Secretary

APPROVED:

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Jim Jordan, ALCO Chairman